

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF INDIANA
SOUTH BEND DIVISION

THE FRESH MARKET, INC.,)	
)	
Plaintiff,)	
)	
v.)	CAUSE NO. 3:04-CV-770 AS
)	
MARSH SUPERMARKETS INC., and)	
TRADEMARK HOLDINGS, INC.,)	
)	
Defendants.)	

**REPORT AND RECOMMENDATION ON PLAINTIFF'S MOTION FOR
PRELIMINARY INJUNCTION**

Plaintiff, The Fresh Market, operates a chain of specialty retail grocery stores. On December 14, 2004, Plaintiff filed this action alleging that Defendants, Marsh Supermarkets, Inc. and Trademark Holdings, Inc., which operate a specialty retail grocery store under the name "Arthur's Fresh Market," infringed Plaintiff's registered mark "The Fresh Market." On February 17, 2005, Plaintiff filed a motion for preliminary injunction to enjoin Defendants' alleged infringement of its mark. Pursuant to 28 U.S.C. § 636(b)(1)(B), this matter was referred to the undersigned to conduct such proceedings as are required and enter into the record a report and recommendation on all dispositive matters. On September 20, 2005, this Court conducted a three-day evidentiary hearing on Plaintiff's motion. This Court now enters into the record its report and recommendation.

I. FINDINGS OF FACT

Plaintiff operates a chain of upscale specialty retail grocery stores that have a smaller selection of goods than a standard grocery store. In addition to carrying some items that are available at a larger grocery store, Plaintiff's store features convenience, service, and a fresh

produce section. Plaintiff opened its first store in Greensboro, North Carolina in 1982. On June 26, 1984, the United States Patent and Trademark Office (“PTO”) issued Trademark Registration Number 1,283,775 for “The Fresh Market” for retail grocery services. On March 14, 2000, the PTO issued Trademark Registration Number 2,329,975 for “The Fresh Market” & Design. Since its inception in 1982, Plaintiff’s chain has grown to forty-six stores in ten states. During that time, the grocery store industry has moved towards two distinct segments, large volume supermarkets and smaller retail stores which emphasize fresh goods.

Recognizing the growing popularity of the smaller speciality retail store niche in the grocery store industry, Defendants also began developing their own concept store in 2001 that would focus on fresh goods, as well as convenience and service. Defendants own various chains of retail grocery stores in central Indiana and routinely refer to themselves as the “Makers in Fresh.” Led by Arthur Marsh, Defendants ultimately decided on the name “Arthur’s Fresh Market” after other choices for a name had been rejected. Defendants opened the first Arthur’s Fresh Market on July 9, 2004, in Syracuse, Indiana. On November 9, 2004, the PTO issued Trademark Registration Number 2,902,361 to Defendants for “Arthur’s Fresh Market.” Pursuant to the registration, the words “Fresh Market” are disclaimed.

Almost seven months after Defendants opened Arthur’s Fresh Market, Plaintiff entered the Indiana market and opened the first The Fresh Market on February 2, 2005, in Westfield, Indiana, which is 120 miles away from Defendants’ store. Defendants opened the second Arthur’s Fresh Market on May 26, 2005, in New Palestine, Indiana, and Plaintiff opened the second The Fresh Market in August 2005, in Fort Wayne, Indiana. Defendants plan to open a third Arthur’s Fresh Market in Indianapolis sometime in 2006.

II. CONCLUSIONS OF LAW

A. Legal Standards

A preliminary injunction is an extraordinary remedy, never to be indulged in except in a case clearly demanding it. Barbecue Marx Inc. v. Ogden Inc., 235 F.3d 1041, 1044 (7th Cir. 2000). As the party seeking the preliminary injunction, Plaintiff has the burden of proving:

- (1) That it has a reasonable likelihood of success on the merits¹;
- (2) That it has no adequate remedy at law and that it will suffer irreparable harm without the preliminary injunction;
- (3) That the irreparable harm that may be imposed upon Defendants is outweighed by the harm to Plaintiff; and
- (4) Whether the preliminary injunction would harm or foster the public interest.

Anderson v. U.S.F. Logistics (IMC), Inc., 274 F.3d 470, 474 (7th Cir. 2001).

To prove a likelihood of success on the merits for a trademark infringement action, a Plaintiff must prove that it holds a valid trademark and that there is a likelihood of confusion between the two marks. Barbecue Marx, 235 F.3d at 1043. Because Plaintiff owns an incontestable mark in The Fresh Market, parties do not dispute the validity of Plaintiff's mark. See Eli Lilly & Co. v. Natural Answers, Inc., 86 F.Supp.2d 834, 843 (S.D. Ind. 2000) (suggesting the validity of an incontestable mark may not be challenged). The focus now shifts to whether there is a likelihood of confusion.

¹Although language such as "some likelihood of success" or "better than negligible" appears in Seventh Circuit case law, in actual practice the threshold is higher:

Although the "better than negligible" phrase appears often in Seventh Circuit opinions, few if any decisions have actually granted or affirmed preliminary injunctions based on a chance of success on the merits that a court found to be only "better than negligible." Where the balance of harm does not heavily favor the moving party, as here, the moving party must show at least a reasonable likelihood of success on the merits. E.g., International Kennel Club of Chicago, Inc. v. Mighty Star, Inc., 846 F.2d 1079, 1084 (7th Cir. 1988). Eco Manufacturing LLC v. Honeywell Int'l, Inc., 295 F.Supp.2d 854, 865 n.4 (S.D. Ind. 2003), aff'd, 357 F.3d 649 (7th Cir. 2003).

To determine whether a likelihood of confusion exists for reasonable consumers, the Seventh Circuit has instructed that courts should weigh the following seven factors:

- (1) Similarity between the two marks in appearance and suggestion;
- (2) Similarity of the goods or services;
- (3) The area and manner of concurrent use;
- (4) The degree of care likely to be exercised by consumers;
- (5) The strength of the plaintiff's mark;
- (6) Whether actual confusion exists; and
- (7) Whether the defendant intended to "palm off" his product as that of the plaintiff.

CAE, Inc. v. Clean Air Eng'g, Inc., 267 F.3d 660, 677-78 (7th Cir. 2001). No single factor is dispositive and courts may assign varying weight to each of the factors in different cases.

Barbecue Marx, 235 F.3d at 1044.

B. Analysis of the Likelihood of Confusion Factors

1. Similarity Between the Two Marks in Appearance and Suggestion

The two marks this Court must examine are "The Fresh Market" and "Arthur's Fresh Market." It is clear that the appearance of the marks are dramatically different. Plaintiff's mark is a square with each of the three words being the same size. On Plaintiff's store fronts, the words "Fresh Market" stand out. However, in Defendants' mark, the stylistic "A" grabs the attention of the viewer. In both the mark itself and the store front, "Arthur's" appears to dominate the mark, while the words "fresh market" are secondary.

While the appearance of the marks are different, this Court acknowledges that the Seventh Circuit has stated that "when the public does not encounter the two marks together, it is inappropriate to focus on minor stylistic differences to determine if confusion is likely."

Meridian Mut. Ins. Co. v. Meridian Ins. Group, 128 F.3d 1111, 1115 (7th Cir. 1997). Thus, this Court must make its comparison in light of what happens in the marketplace and not by just

looking at the marks side by side. Id. However, even in the marketplace, the evidence suggests that there is a significant difference in the marks. The receipts that Defendants use for their store say “Arthur’s,” not Arthur’s Fresh Market. Furthermore, the public sometimes refers to Defendants’ store simply as “Arthur’s” as evidenced in an article from the Indianapolis Star. (Plaintiff’s Exhibit 9). In Meridian, the court stated “if one word or feature of a composite trademark is the salient portion of the mark, it may be given greater weight than the surrounding elements.” Id. Therefore, because it appears that “Arthur’s” is the salient portion of Defendants’ mark, the marks are not similar in appearance. This factor weighs in favor of the Defendants.

2. The Similarity of the Goods or Services

The second factor weighs in favor of Plaintiff because the more closely related the services are, the more likely that consumers will be confused by similar marks. Union Carbide Corp. v. Ever-Ready, Inc., 531 F.2d 366, 382 (7th Cir. 1976). As shown at the hearing, and as admitted by Defendants in their response, both stores provide upscale retail grocery services which target a very specific consumer. Both stores focus on providing fresh fruits, vegetables, meats, and baked goods to the consumers. Therefore, there is a strong similarity of the goods and services provided by the parties.

3. The Area and Manner of Concurrent Use

At the preliminary injunction hearing, the evidence showed that the stores did not directly compete for the same market because the closest stores, Plaintiff’s Westfield store and Defendants’ New Palestine store, are thirty miles apart, Plaintiff’s Westfield store is approximately 120 miles from Defendants’ Syracuse store, and Plaintiff’s Fort Wayne store is

fifty miles from Defendant's Syracuse store and 110 miles away from Defendant's New Palestine store.

Although Plaintiff provided evidence that one consumer drove from Fort Wayne to visit its Westfield store, this says more about that single consumer than the retail market as a whole. It is highly doubtful that the average retail consumer will drive a long distance for a grocery store, especially when there are numerous grocery stores within the area that a consumer may choose to visit. See *Barbecue Marx*, 235 F.3d at 1045 (holding that it was clear error in assuming an overlap in context of a "densely populated area, when 1.4 miles is quite a distance, especially in an area crowded with dozens of restaurants"). Because the stores are located a substantial distance from each other, it does not appear that the stores are competing for the same market. Consequently, this factor does not suggest that there is a likelihood of confusion and weighs in Defendants' favor.²

4. The Degree of Care Likely to be Exercised by Consumers

Plaintiff argues that retail grocery consumers are not likely to exercise care when choosing a grocery store because the products are inexpensive goods. As a result, the consumer is more apt to confuse the marks. While this may be true with regards to typical grocery stores, both parties admitted that the fresh market concept is not a typical grocery store. Rather, the stores target a high-end consumer who is sophisticated when it comes to various culinary items. In fact, the market that parties target is so specific and refined that both parties use the term "Foodies" to describe their target customer. Because "Foodies" are more sophisticated than the

²Defendants stated that they may open a store in Indianapolis sometime in 2006. However, at the time of the preliminary injunction hearing, that store was not open. It is not appropriate to examine the impact of the new store at this time as it is speculation as to the impact it may have on the other stores. This Court will not grant a preliminary injunction based upon speculation of future events.

average retail grocery consumer, this Court finds that these individuals are more likely to exercise care when choosing an upscale specialty grocery store and therefore, will not be easily confused. This factor weighs in the Defendants' favor.

5. The Strength of Plaintiff's Mark

The term "strength" as applied to trademarks refers to the distinctiveness of the mark or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular source. Eli Lilly & Co. v. Natural Answers, Inc., 86 F. Supp. 2d 834, 843 (S.D. Ind. 2000). The strength of a mark is judged on a spectrum often classified as generic, descriptive, suggestive, arbitrary, or fanciful. Platinum Home Mortgage Corp. v. Platinum Fin'l Group, Inc., 149 F.3d 722, 727 (7th Cir. 1998). A generic term is one that is commonly used and does not identify any particular source and, therefore, is not entitled to any trademark protection. Id. A descriptive mark is one that "describes the ingredients, qualities, or characteristics of an article of trade or a service" and, generally, it is not protected as a trademark because a merely descriptive mark is a "poor means of distinguishing one source of services from another." Id.

Defendants contend that "The Fresh Market" is a descriptive mark because fresh market describes the types of goods found inside the store, and as a result, the mark is weak. Plaintiff, however, asserts that its mark is suggestive. In addition, Plaintiff argues that fresh market is not descriptive because fresh is modifying market, and that it is nonsensical to say that the market itself is fresh.

This Court notes that both Plaintiff and Defendants provided expert testimony regarding the strength of Plaintiff's mark. After reviewing the evidence, this Court is not persuaded by the testimony from either party's expert witness. The expert opinions concerning the strength of the

mark and the support for each position are contradictory. The only item upon which the experts agreed was that neither had heard of a store with the name “Fresh Market” before this litigation. However, the fact that neither expert had heard of a store with the name “Fresh Market” is not persuasive that Plaintiff’s mark is strong. Rather, the totality of the evidence regarding the strength of Plaintiff’s mark supports the conclusion that fresh market is descriptive.

Although not conclusive evidence, this Court finds it persuasive that the PTO made Defendants disclaim the words fresh market when it applied for its trademark. In addition, in five other applications for registrations of a mark including the words fresh market the PTO required that each of the third parties disclaim the words fresh market. The PTO determined

...the wording is merely descriptive because it describes an aspect of applicant’s retail grocery store services, namely that applicant will have a place in its stores where fresh produce is displayed and sold. The ‘fresh market’ is known to one and all as the produce market where fruits and vegetables are sold fresh, not processed. (Def. Exh. 169).

Furthermore, Defendants provided evidence that illustrated the dominance of the words fresh market in the retail grocery store industry. Defendants listed numerous stores which contained the word fresh market. While none of these stores were in the exact market in which “The Fresh Market” and “Arthur’s Fresh Market” are competing, this evidence is persuasive as to the descriptive nature of Plaintiff’s mark because it tends to prove that the words fresh market are used extensively to describe the goods found in various stores. Furthermore, numerous industry publications have used the words fresh market to generically describe the new concept of retail grocery stores which provide an emphasis on fresh goods in a smaller store. Therefore, this Court finds that Plaintiff’s mark is descriptive and as a result, is a weak mark. This factor weighs in favor of the Defendants.

6. Whether Actual Confusion Exists

Plaintiff asserts that it has substantial evidence of actual confusion in the marketplace. In support of this proposition, Plaintiff presented testimony from a store manager and store employee that actual confusion existed between “The Fresh Market” and “Arthur’s Fresh Market.” The allegedly confused people include: job applicants, Plaintiff’s unidentified insurance agent, an employee’s parents and a radio personality. While there was some evidence of confusion with certain customers, the confusion was more general than specific. The evidence did not illustrate that customers were confused because of the similarity of the marks. Rather, most of the evidence that Plaintiff presented showed that the confusion dealt with whether “The Fresh Market” was owned by or affiliated with “Marsh Supermarkets.” This is insufficient confusion.

Even if there was some confusion as to the ownership of “The Fresh Market,” the evidence suggests that the confusion may have been caused by factors other than the alleged similarity of the marks. Defendants are a well-known corporation in the relevant market which owns numerous grocery stores under various names. Defendants have previously introduced new store concepts into the relevant market and commonly refer to themselves as the “Makers in Fresh.” In addition, two of Defendants’ long term employees went to work for “The Fresh Market,” which would further suggest that there is some link between “The Fresh Market” and “Marsh Supermarkets.”

There is evidence that an Indianapolis Star article incorrectly attributed the ownership of Defendants’ New Palestine store to Plaintiff, and that a few customers confused the names “The Fresh Market” and “Arthur’s Fresh Market.” Evidence of actual confusion, if available, is

entitled to substantial weight. CAE, Inc. v. Clean Air Eng'g, Inc., 267 F.3d 660, 685 (7th Cir. 2000). While Plaintiff's evidence of actual confusion may be *de minimus*, this Court may not disregard the evidence that Plaintiff has presented which suggests that there is actual confusion. Consequently, this factor weighs in favor of Plaintiff.

7. Whether the Defendant Intended to "Palm Off" his Product as that of the Plaintiff

Plaintiff has not provided any evidence that Defendants intended to palm off their store as Plaintiff's store. Rather, the evidence suggests that prior to applying for a federal trademark registration for "Arthur's Fresh Market" Defendants requested their trademark counsel to conduct a trademark search on the proposed name. After both a preliminary search and full search were performed, Defendants' trademark counsel confirmed that the "Arthur's Fresh Market" trademark appeared to be available stating that there are, "innumerable uses of Fresh Market and Market Fresh." This factor does not support a finding of likelihood of confusion and weighs in favor of the Defendants.

C. Balancing the Factors

In balancing the likelihood of confusion factors, this Court concludes that Plaintiff has failed to present a likelihood of success. The majority of the factors weigh against a finding of likelihood of confusion at this stage. First, the marks are sufficiently different as Defendants' mark focuses on the word "Arthur's" and not "Fresh Market." Furthermore, the evidence shows that the stores are not in direct competition with each other and that the sophisticated consumer will exercise a higher degree of care in selecting an upscale grocery store. Perhaps the most persuasive evidence is that Plaintiff's mark is descriptive, and as a result, is weak and not entitled to broad sweeping protection.

This Court acknowledges that there may have been some evidence of actual confusion. Under CAE, Inc., this Court is required to give this evidence substantial weight. However, putting Plaintiff's evidence of confusion into perspective, Plaintiff alleges that its average store has approximately 7,000 transactions per week. Its Indiana store has been open more than seven months, yet it only has 21 incident forms. Even giving added weight to Plaintiff's confusion evidence, this Court is not convinced that this small amount of confusion evidence is sufficient to establish a likelihood of confusion in light of the remaining factors.

This conclusion is supported by the recent Supreme Court decision of KP Permanent Make-Up, Inc. v. Lasting Impression, Inc., 125 S.Ct. 542, 550 (2004), in which the Court held that "...if any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase." Consequently, even if there was actual confusion, it was a risk that Plaintiff took by adopting a mark that is descriptive. Balancing all of the likelihood of confusion factors, this Court concludes that Plaintiff has not proven a likelihood of success on the merits and may end its inquiry here.³ Therefore, this Court recommends that Plaintiff's motion for a preliminary injunction be denied.

III. ANCILLARY MATTERS

At the conclusion of the evidentiary hearing, this Court gave the parties one week to supplement the record, at which time the Court would deem the record complete and issue its report and recommendation. On October 4, 2005, two weeks after the preliminary injunction

³This Court notes that both parties criticized each other for failing to conduct a survey which may help establish the likelihood of confusion. This case is merely at the preliminary injunction phase. Parties are free to conduct a survey for future proceedings that may help establish the likelihood of confusion. However, at the present time, there was insufficient evidence to establish the likelihood of confusion necessary to support a preliminary injunction.

hearing, Plaintiff filed a motion for leave to submit new evidence of confusion. Plaintiff has had ample opportunity to submit evidence to support its motion, both at the hearing, and then up to one week after the hearing. At some point the court must close the time for Plaintiff to submit evidence to support its motion for a preliminary injunction. That point was reached on September 29, 2005. Plaintiff may, however, use this newly acquired evidence for future proceedings in this case. Plaintiff's motion to expand the record [Doc. No. 91] is **DENIED**.⁴

IV. CONCLUSION

Because Plaintiff has failed to establish a reasonable likelihood of success on the merits, this Court **RECOMMENDS** that Plaintiff's motion for a preliminary injunction [Doc. No. 19] be **DENIED**. Furthermore, Plaintiff's motion for leave to submit new evidence [Doc. No. 91] is **DENIED**.

NOTICE IS HEREBY GIVEN that within ten (10) days after being served with a copy of this recommended disposition a party may serve and file specific, written objections to the proposed findings and/or recommendations. Fed.R.Civ.P. 72(b). FAILURE TO FILE OBJECTIONS WITHIN THE SPECIFIED TIME WAIVES THE RIGHT TO APPEAL THE DISTRICT COURT'S ORDER.

SO ORDERED.

Dated this 17th day of October, 2005.

s/Christopher A. Nuechterlein
Christopher A. Nuechterlein
United States Magistrate Judge

⁴Even if this Court allowed Plaintiff to supplement the record, the new evidence of confusion would not change this Court's ultimate decision. As required under Seventh Circuit law, this Court afforded weight to the actual confusion factor in Plaintiff's favor, but ultimately concluded that the remaining factors outweighed the actual confusion factor. Submitting the new evidence would not change the Court's balancing of the factors.